GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2732
ANSWERED ON:31.08.2007
ROLLING BACK INTEREST RATE BY NABARD
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government has received any representations from the State Government for rolling back the interest, rate hiked by the National Bank for Agricu lture and Rural Development (NABARD) on agricultural loans;

(b) if so, the reactions of the Government thereto; and

(c) the steps taken to advance loans to the agriculturists on long term basis at lower rate of interest ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (c): NAEiARD neither lends directly to the farmers nor has any such proposal as it does net have the infrastructure and organizational set up to do so. However, NABARD provides refinance to banks for Agriculture lending. During the year 2006-07, NABARD has provided Short Term (Seasonal Agricultural Operations) (ST-SAO) refinance to State Cooperative Banks (SCBs), on behalf of eligible District Central Cooperative Banks (DCCBs), at concessional rates of interest with interest subvention from Government of India. The condition for availing this refinance is that Cooperative Banks provide crop loans upto Rs.3.00 lakh per borrower at a rate of interest of 7% per annum.While finalizng the scheme of interest subvention, it was decided that NABARD will provide refinance to Cooperative Banks at 2.5% in 2006-07 and this rate is to be increased annually by 50 basis points to a level of 4%p,a. by 2009-10. Consequently, the rate of interest on refinance was fixed as follows : 2.5% during 2006-07; 3.0% during 2007-08; 3.5% during 2008-09 and 4.0% during 2009-10. This decision was communicated and thereafter, there has been no change in the original scheme of refinance to Cooperative Banks by NABARD. As per the scheme the rate of interest on this concessional refinance is 3% p.a. for the year 2007-08. However,, the rate of interest for borrowers for crop loan upto a principal of Rs.3,00,000/- remains at 7% p.a. Further, there is no proposal to reduce the rate of interest, on refinance for long term agricultural loans.